HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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New Home Market

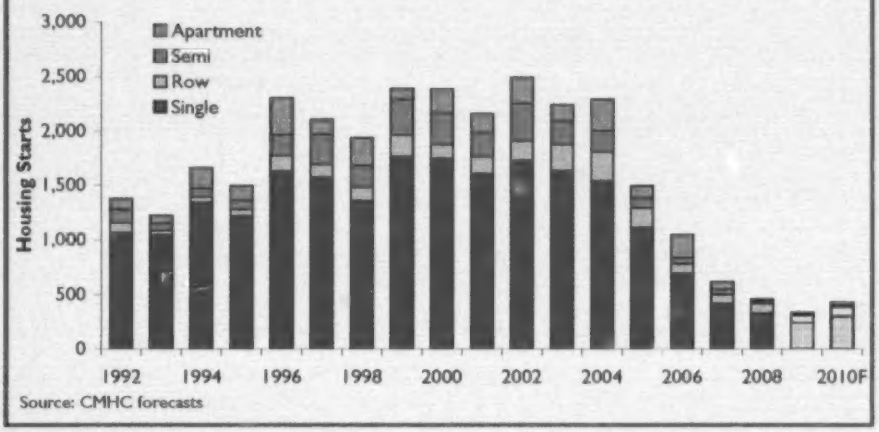
New Home Construction to Improve in 2010

Windsor's new home construction sector has been impacted by the economic slowdown. Demand for new homes will reach a cyclical low in 2009 with construction of 330 units and rise 29 per cent in 2010 to 426 units. Demand for all dwelling types will improve with single-detached still being the favourite. A modest improvement in the job market, fewer listings in the resale home market and an improving consumer outlook will contribute to improved demand for new homes in 2010.

The supply of single and semi-detached homes complete and not yet sold continues to decline with only 41 homes available in September 2009,

Figure 1

Total Starts Edge Up in 2010



Source: CMHC forecasts

[1] The forecasts included in this document are based on information available as of October 1, 2009.

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down 44 per cent from one year earlier. Low new home inventories indicate that any improvement in demand will be met by new construction.

The average price of a new home in the Windsor CMA will continue to be well above the cost of the average resale home. The New Housing Price Index, which measures changes in the price of the same home with the same lot size, declined just over two per cent in the Windsor CMA in 2008. The Index is forecast to increase less than one per cent in 2009 and 2010. This is in contrast to the average price of a newly constructed single-detached house in the Windsor CMA which declined over three per cent in 2009. The decline was due to fewer high-end homes being constructed. In the first half of the year the share of homes completed and sold for over $300,000 dropped from 33 per cent of all sales in 2008 to 24 per cent in 2009. In 2010 the average price will rise to $307,000 due to rising costs as well as some compositional change, as demand for large homes begins to increase faster than it does for less expensive new homes.

Construction of new apartments or townhouses will increase by less than 50 units in 2010. Rental construction will be limited to government-assisted developments due to the high vacancy rate. Condominium apartment starts will also be limited since demand is negligible given the ample selection in resale market.

Resale Home Market

Prices to Increase in 2010

Existing home sales in Windsor-Essex will continue to decline in 2010. Low interest rates and declining prices at the beginning of the year improved affordability and encouraged many first-time buyers to enter into the Windsor market. This slowed the expected sales decline to less than 10 per cent for 2009. However it also brought forward many purchases, so sales are expected to decline two per cent in 2010.

The Windsor CMA is considered the most affordable homeownership market of any major metropolitan market in Ontario. The income required to carry the mortgage on an average-priced home has been increasing at a slower rate than average actual household income in the Windsor CMA over the past several years. Due to falling home prices and historically low borrowing costs, required income has decreased 22 per cent in the last five years while average actual income has increased three per cent. As seen in Figure 2, required income in the Windsor area has been in the low thirties since the early 1990s. When labour markets stabilize, improved affordability will be the engine that will drive the resale market.

New listings, a measure of supply, have been declining. Approximately seven per cent fewer homes will be listed in 2009 and another four per cent decline will occur in 2010. Fewer homes are being placed on the market as people are waiting for prices to increase above the previous peak reached in 2006.

The balance between demand and supply is measured by the sales to new listings ratio (SNLR) . The SNLR has been trending up after bottoming out at the beginning of the year. With supply falling and demand stabilizing in 2009, the SNLR will average around 41 per cent. The Windsor-Essex resale market will move into balance by the end of the year and throughout 2010, from the buyers' position in the spring. As a result of the cooling of the market in the last few years, the average sale price has declined. The average price of a resale home will fall to $156,000 in 2009 due to aggressive negotiations by a limited number of buyers. Prices will begin to improve

Figure 2

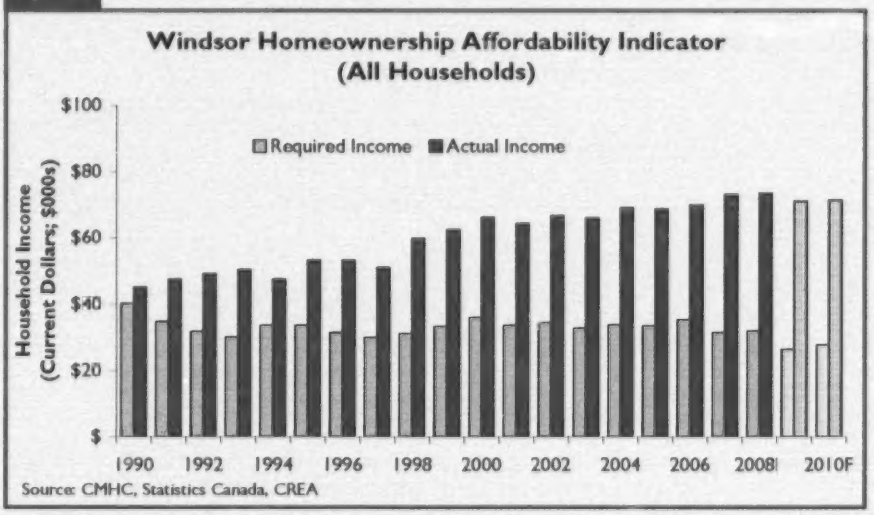
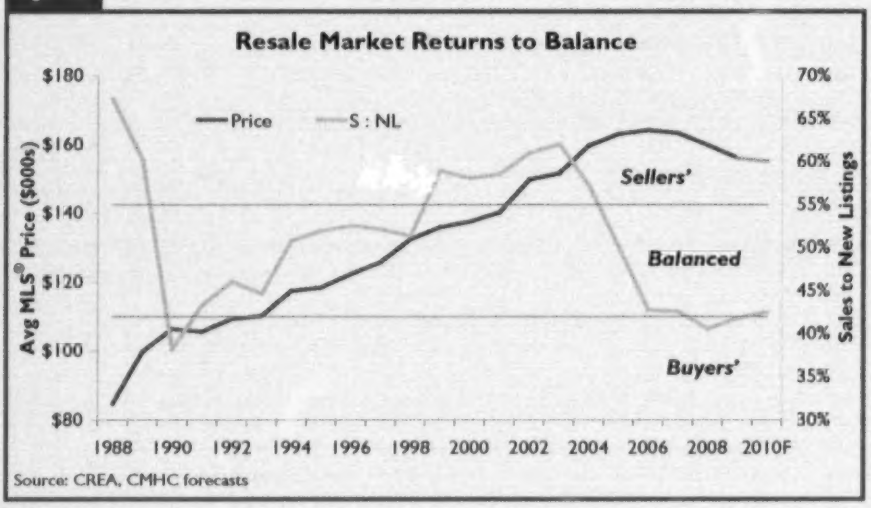


Figure 3



in 2010 as more move-up homes are sold. Ranch homes will be the most popular with areas such as South Windsor and LaSalle continuing to be attractive locations for purchases.

Economic Trends

Migration

Net migration is forecast to be negative in 2009 in the Windsor CMA. More people have moved away from the area each year since 2004 than have relocated to Windsor. This is expected to continue in 2010 with a net loss of nearly 1,400 people. The first impact can be seen in the rental market as renters are more mobile than owners.

In the rental market the average apartment vacancy rate in Windsor was 14.8 per cent in October 2008 and is expected to remain high in 2009. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to remain flat in October 2009, as landlords refrain from raising rents in an effort to retain existing tenants.

The Windsor-Essex area is marketing the region abroad to boomers and retirees as an exceptional place to live. Visitors and residents extol the many recreational opportunities, affordable housing and temperate climate of the area in the hopes of attracting new residents.

Employment

Employment is a key factor supporting housing demand. Windsor's employment levels have not dropped as sharply as anticipated. The area may be able to get through 2009 with less than a five per cent decline in jobs. However, combined with losses over the past couple of years the workforce has shrunk by almost eight per cent since 2006. Continuing economic weakness in the U.S. and the appreciating value of Canadian dollar are ongoing challenges for the manufacturing and tourism sectors. In turn this has had a detrimental affect on local consumer spending.

The economy has been slow to diversify, however some inroads are appearing. Interest in alternative green energy such as wind and solar are providing new manufacturing opportunities.

Non-residential construction employment will grow in 2010 due to investment in major capital projects in the area.

Figure 4

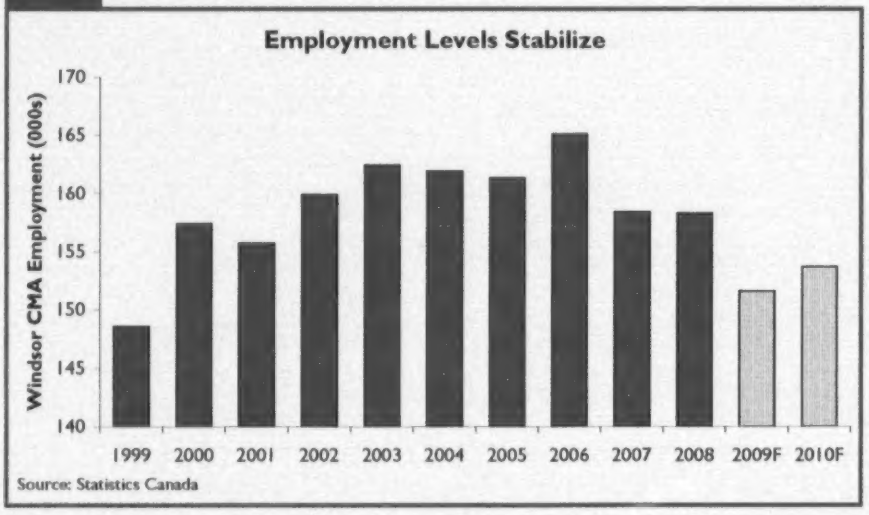


Figure 5

Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Forecast Summary Windsor CMA Fall 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	5,047	4,987	4,546	4,350	-4.3	4,250	-2.3
MLS® New Listings	11,802	11,718	11,197	10,400	-7.1	10,000	-3.8
MLS® Average Price ($)	164,123	163,215	159,709	156,000	-2.3	160,000	2.6
New Home Market							
Starts:							
Single-Detached	692	417	328	240	-26.8	300	25.0
Multiples	353	197	125	90	-28.0	125	38.9
Semi-Detached	50	48	22	10	-54.5	12	20.0
Row/Townhouse	90	83	87	68	-21.8	86	26.5
Apartments	213	66	16	12	-25.0	28	133.3
Starts - Total	1,045	614	453	330	-27.2	425	28.8
Average Price ($):							
Single-Detached	252,302	285,819	311,852	300,000	-3.8	307,000	2.3
Median Price ($):							
Single-Detached	210,470	259,000	289,000	280,000	-3.1	283,000	1.1
New Housing Price Index (% chg.)	-0.1	-2.1	0.4	0.0	-	0.5	-
Rental Market							
October Vacancy Rate (%)	10.4	12.8	14.6	17.0	2.4	14.0	-3.0
Two-bedroom Average Rent (October) ($)	774	773	772	750	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.7	3.83	-0.2
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.5	5.75	0.2
Annual Employment Level	165,100	158,400	158,300	151,600	-4.2	153,700	1.4
Employment Growth (%)	2.4	-4.1	-0.1	-4.2	-	1.4	-
Unemployment rate (%)	8.9	9.0	9.3	14.4	-	13.8	-
Net Migration [1]	-1,315	-2,451	-2,494	-1,500		-1,400	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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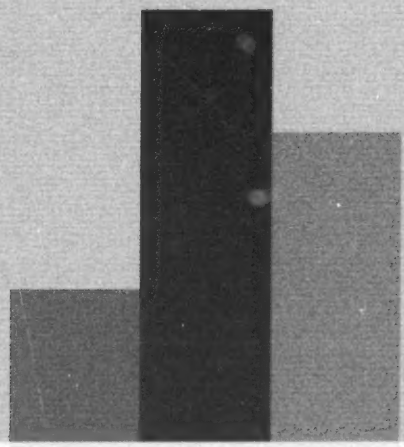

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